

Please cite this article as follows:

O'Donohue, W., Donohue, R., & Grimmer, M. 2007. Research into the psychological contract: Two Australian perspectives. *Human Resource Development International*, 10(3): 301 – 318.

**RESEARCH INTO THE PSYCHOLOGICAL CONTRACT: TWO
AUSTRALIAN PERSPECTIVES**

Wayne O'Donohue

School of Management
University of Tasmania,
Private Bag 16
Hobart 7000
AUSTRALIA

Ph: +61 3 6226 1713

Fax: +61 3 6226 2808

Email: Wayne.ODonohue@utas.edu.au

Ross Donohue

Department of Management
Monash University
PO Box 197
Caulfield 3145
AUSTRALIA

Ph: +61 3 990 31548

Fax: +61 3 990 32718

Email: Ross.Donohue@BusEco.monash.edu.au

Martin Grimmer

School of Management
University of Tasmania
Private Bag 16
Hobart 7000
AUSTRALIA

Ph: +61 3 6226 2824

Fax: +61 3 6226 2808

Email: Martin.Grimmer@utas.edu.au

RESEARCH INTO THE PSYCHOLOGICAL CONTRACT: TWO AUSTRALIAN PERSPECTIVES

Abstract

Despite their increasing relevance, employees' psychological contracts have attracted little research attention in Australia. The present paper presents two studies, which examined the psychological contracts of specific cohorts of professional employees and those in a managerial career track. The first study was an in-depth qualitative investigation of research scientists in an Australian public sector research organisation. They were found to have a strong professional affiliation and had developed psychological contracts that were best understood by reference to the 'ideological currency' of the scientific community. The second study was a quantitative examination of 156 MBA students at an Australian university, and how their psychological contracts could be related to perceptions of the contextual variables of organisational justice, perceived organisational support and external employability. Organisational justice and perceived organisational support were found to be related to the nature of the psychological contracts measured, but perceptions of external employability were not.

Keywords: psychological contracts; professional employees; organisational context; organisational justice; perceived organisational support

INTRODUCTION

Over the last two decades, changes in the operating environments for both private and public sector organisations in Australia, and elsewhere, have been significantly altered. In order to sustain a competitive advantage and to survive, many organisations have found it necessary to institute major organisational changes designed to increase productivity, flexibility and innovation. Downsizing and outsourcing programs, and a greater use of casual, contingent and contract employment, have all resulted in a redefinition of career expectations, and of the manner in which both employees and employers conceptualize organisational membership (Millward & Brewerton 1999; Kabanoff, Jimmieson & Lewis 2000;

Lawler 2005). At the same time, the nature of these reforms has been influenced by recognition of the substantial and lasting contribution that an organisation's human capital can make to the development of a sustainable competitive edge.

The emergence of a more complex, turbulent, and unpredictable employment market has impacted directly on the nature of the employee-organisation relationship. Traditionally, the concept of the employment relationship has assumed a structured, predictable employment market. In return for an employee's loyalty and commitment, the employer provided inter alia job security and career development opportunities through formal training and orchestrated work assignments (Atkinson 2002; Donohue 2006). In Australia, this style of employment relationship embodied the principle of a 'fair go', which reflected the sense of egalitarianism at the heart of Australian society. As such, it was bolstered by factors such as economic growth, and a centralized and highly formalized industrial relations system that provided a stable foundation for job security and career advancement, and guaranteed employees a fair wage and benefits that were generous by world standards (Kabanoff et al. 2000).

However, a political momentum towards decentralized and deregulated industrial relations, and a concomitant decline in unionism, as well as changes in employment practices, has meant that Australian employees are more likely to experience increased job insecurity and organisational scepticism, and reduced loyalty and trust (Kabanoff et al. 2000; Lawler 2005; Robinson & Rousseau 1994; Tekleab & Taylor 2003; Turnley & Feldman 1999, 2000). Today, the employment scenario is more likely to be flexible, ambiguous and to emphasize the short-term. Organisations are said to provide higher pay, rewards for performance, and a job rather than a career. In return, employees are increasingly required to accept more responsibility, role ambiguity, and multiskilling. Individuals have also had to take greater responsibility

for the management of their own careers and accept altered career expectations (Atkinson 2002; Arthur & Rousseau 1996; Millward & Herriot 2000). Hence, the organisation's role in the definition of the individual's work or career identity has changed. Consequently, the currency of the traditional perspective of the relationship between employee and employer has been called into question (Coyle-Shapiro et al. 2004).

There is a substantial body of research examining the employment relationship in terms of the concept of a 'psychological contract' (Conway & Briner 2005; Taylor & Tekleab 2004). Much of the research has been conducted in the United Kingdom, Europe and the United States. In comparison, there has been little published research relating to the concept in the Australian context (Hecker & Grimmer 2006). This paper, which reports on two studies that have explored aspects of the psychological contracts of professional and managerial employees in Australia, addresses that gap.

The psychological contract

In general terms, the concept of the psychological contract deals with the pattern of unwritten beliefs held by the employee and organisation about the exchange relationship that operates between them (Rousseau 1995). Unlike the formal employment contract that sets out explicit terms and conditions, the psychological contract is 'cognitive-perceptual' in nature. In other words, it is implicit and reflects the individual's perceptions that promises have been made, and considerations offered in exchange, which bind the employee and the organisation to a set of reciprocal obligations (Rousseau & Tijoriwala 1998).

Within the literature, the psychological contract is mostly operationalized using an interpretative framework that enumerates two basic contract types: 'transactional' and

‘relational’ exchanges (Rousseau 1990, 1995). Relational psychological contracts comprise primarily socio-emotional exchanges and have non-explicit performance terms. They have a long-term focus involving investments by both parties from which withdrawal is difficult. As such, these contracts promote interdependence through a commitment to the collective interest over purely self-interest. Transactional psychological contracts contain primarily monetisable exchanges and have explicit performance terms. Such contracts are more short-term in focus, assume rational and self-interested parties, and do not result in ongoing interdependence (Rousseau & McLean Parks 1993). Research has suggested that aspects of these two basic contract types are often brought together into the one psychological contract (Shore et al. 2004), which has uniquely complex combinations of monetisable (transactional) and socio-emotional (relational) terms, and aims at a long-term relationship while at the same time specifying performance requirements

The psychological contract and altered career expectations

The traditional perspective of careers as an essentially linear, invariant, seamless, and sequential process of steady advancement (Holland 1997; Super 1963), was built on the stability and continuity that characterized a predominantly relational style of psychological contract between employees and employers. However, given the incidence of career change in today’s workforce precipitated through the changes in employment practices discussed above, the traditional careers perspective has been questioned as to its current applicability. Alternative models of the career development process have emerged, such as boundaryless, protean or portfolio career approaches (Arthur & Rousseau 1996; Hall & Mirvis 1996; Handy 1994).

Although emphasising different factors, these alternative conceptions of the career development and management process assume that career change will remain prevalent in the workplace. They also assume the individual is equipped to manage his or her own career with the confidence needed to take risks and to capitalize upon new career opportunities in a turbulent environment. These new perspectives thus give less weight than in traditional career trajectories to relational elements in the psychological contract (Donohue 2006). However, research suggests that for many workers continuity, predicability, job security, structure, and role clarity continue to have a significant association with the psychological contract (Atkinson 2002). Therefore, the opportunity to pursue a boundaryless, protean or portfolio career will not appeal to all workers (Guest & Mackenzie 1996). Nicholson and West (1998), in a study involving managers who changed career, found that, for the majority, transitions occurred as a result of external circumstances rather than through intended action. Moreover, while the experience of high skill/high demand contractors and specialists may involve diverse, challenging, and interesting assignments, the experience may well be very different for low skilled workers dealing with the uncertainty of contingent work (Mallon 1998). This suggests that employees of different types and at different levels need to be considered separately in a research context.

The research reported in this paper thus looks to investigate the psychological contracts and related career and employment issues of specific cohorts of professional employees and those in a managerial career track. The first study represents an in-depth qualitative investigation of research scientists, and the specific issues confronted by employees whose psychological contracts might involve a sense of obligation to a 'profession' that is over and above that owed to the employer. The second study is a quantitative investigation of a sample of MBA students and how

their psychological contracts can be related to their perceptions of organisational and contextual experiences. Both studies provide a window into psychological contracts in Australia's distinctive employment relations environment, in which ideology and values have historically played an important role, and in which the workplace context is one that is undergoing a period of significant change. In addition, the reported studies enumerate two methodologies through which psychological contracts can be examined and so represent an opportunity to demonstrate the diversity possible in such research.

STUDY 1

Background

Changes in the employment context, discussed above, have prompted many individuals to seek a closer alignment between themselves and their work, as well as with their organisational and broader societal contexts (Ashmos & Duchon 2000; Burr & Thomson 2002). According to Burr and Thomson (2002: 4) the roots of the transactional/relational bidimensional distinction are 'very much in the beliefs and values domain of the individual with regard to the organisation'. They contend that by definition such an approach is not able to recognize the emergence of psychological contracts that have a 'transpersonal' component reflecting the interconnectedness of the individual, the organisation and the societal context.

Arguing along similar lines, Thompson and Bunderson (2003) contend that by focusing only on economic and socio-emotional exchange, the bidimensional interpretative framework overlooks the idea that inducements for the individual to contribute could include non-material benefits arising from an individual's desire to further humanitarian ideals or spiritual values (Blau 1964). They therefore propose the

concept of an ‘ideology-infused’ psychological contract, in which three, versus the usual two, currencies of exchange are recognized: ideology, economic and socio-emotional. In this concept, ideological currency is defined very broadly as ‘credible commitments to pursue a valued cause or principle (not limited to self-interest) that are implicitly exchanged at the nexus of the individual/organisation relationship’ (Thompson & Bunderson 2003: 574). While the broad concept of an ‘ideology-infused’ psychological contract has yet to be examined in detail, there is a line of research starting to appear that points to the possibility that occupational ideologies, and specifically those that characterize professions, may form a basis for an ideological currency (Bunderson 2001; Purvis & Cropley 2003; O’Donohue & Nelson in press).

Professions derive their identity from the distinctive nature of their professional ideologies, which comprise the values and beliefs that reflect certain attributes that professions are considered to have. These attributes include professional competence (based on a systematic and abstract body of specialized knowledge, and autonomy in the application of that specific knowledge), and an explicit client focus and service orientation (reflected in a formal code of ethics or practice that places client and community interests, and the interests of the profession, above self-interest). These attributes together are referenced in the distinctive, complex ideologies that professions develop and sustain (Abbott 1988; Trice 1993).

It is against this background that study 1 reports on data gathered from scientific professionals. The data were gathered as part of a larger ongoing, qualitative study exploring the perceptions of a range of employed professionals with regard to the link between their professional ideologies and their psychological contracts. Findings

related to data gathered from a group of nursing professionals have already been published (O'Donohue & Nelson in press).

Method

Participants

Scientific research has long held the status of a profession and been the subject of many academic studies in that light (for example, see Kornhauser 1962; Merton 1942). In Australia, the resource intensive nature of much scientific research limits the activity mostly to universities and a small number of public sector research organisations. The group of eight research scientists for this qualitative study was drawn from the one public sector research organisation. Of eight interviewees, all were male, over 30 years of age, and employed on a full-time permanent basis. All but one of the interviewees had more than five years of service in their current professional role with their current employer. All interviewees had postgraduate tertiary level educational qualifications, with six having completed PhDs. Five of the eight interviewees held memberships of scientific professional associations.

Data collection and analysis

In line with the exploratory qualitative nature of the research, semi-structured interviews were selected as the best means of data collection. Each interview took the form of a conversation centred on the interviewee's values and beliefs about what being a professional meant, as well as the professional dimension of his/her psychological contract. The small size of the participant

group enabled in-depth discussion at interview. All the interviews were audio-recorded and transcribed, and conducted in accordance with procedures to ensure informed consent and protection of the confidentiality and privacy of interviewees. The interview data were analyzed with the assistance of the computer software application Non-numerical Unstructured Data Indexing Searching and Theorising (NUD*IST). A tree-structured indexing system using a range of general and specific codes, derived from the interview material and the literature concerned with the psychological contract and the development of professions, was developed to organise the interview data.

Results and discussion

Consistent with the concept of an ‘ideology-infused’ psychological contract, analysis of interview data identified evidence of an ideological currency distinct from the economic/transactional and socio-emotional/relational currencies. Each interviewee indicated that professional competence, expressed in terms of high level expertise, autonomy and the pursuit of excellence, was as an essential characteristic of their contribution of high quality outcomes to the organisation. Such outcomes were defined not only in terms of scientific excellence but also in terms of the delivery of both tangible and intangible benefits to others in the community. This strong service- or other-orientation was encapsulated in the notion of ‘public good’ and was an important component in each interviewee’s conceptualisation of the organisation’s goals and purposes.

I am entrusted by the community to understand and to pursue ideas that the general community have a lot of trouble coming to terms with. (Interviewee S5)

I think you have a responsibility to achieve ... honesty and producing the best possible result within the resources you have ... and a free exchange of ideas. (Interviewee S4)

I'm a publicly funded scientist and so I think I have a responsibility to the public and the public good. (Interviewee S8)

As indicated earlier, Thompson and Bunderson (2003) contend that if part of the individual's contribution is made in the form of ideological currency then the individual will perceive the organisation to be obligated to provide credible matching or supporting commitments in return. In general, interviewees perceived the organisation as not providing such commitments. Management ideology was seen as having supplanted the professional ideology of science as the dominant cultural force within the organisation. As a consequence, the individual scientist's professional autonomy had been constrained. Scientific excellence was de-emphasized and sufficient weight was not being given to the development of the organisation's stock of scientific human capital.

I think the unifying culture within [the organisation] is without doubt the scientific culture. I think that corporate [organisation] has worked to undermine that for almost as long as I've been in [the organisation].
(Interviewee S8)

Notwithstanding these negative perceptions of management, there was positive acknowledgement of certain aspects of the organisation. In general, interviewees appeared to accept that good management, if it could be achieved, was in effect a necessary condition for the effectiveness of the organisation. There was a willingness

on the part of most interviewees to work collaboratively with management in pursuit of high quality scientific outcomes.

These people [management] do have other imperatives. They're nothing to do with why I would be doing science ... but ... in a sense, that managerial world is an essential part of the full package. (Interviewee S6)

Consistent with social exchange theory, psychological contract research suggests that where the individual perceives the organisation as failing to fulfil its obligations under the psychological contract then the individual may alter their behaviour and attitudes towards the organisation (Rousseau 1995; Morrison & Robinson 1997). The organisation's apparent lack of commitment to core professional values and beliefs, particularly in regard to professional autonomy and service to the community and 'public good', was a major source of frustration and feelings of anger for some interviewees. In general, interviewees indicated a higher level of commitment to their professional values and beliefs than to the organisation, and what commitment they had to the organisation was contingent upon it supporting their professional values and beliefs.

The process of either being able to talk to or write for the wider community, or to comment on social issues has been greatly reduced in [the organisation]. I get pretty angry at that actually. (Interviewee S5)

It was clear that at some future point continued failure by the organisation to deliver on its perceived obligations regarding core professional values and beliefs would cause individuals to review their intentions. Commitment to the profession

underpinned high levels of job involvement not contingent on remaining with the organisation.

If the government and [the organisation] cooperatively decided that [the organisation] was purely about ... helping industry in the sense of turning over dollars, then maybe that's justifiable. [But] no I don't [stay in the organisation]. It wouldn't satisfy my needs as an individual and as a professional. (Interviewee S8)

This lesser emphasis on the organisation as a focus of commitment and its connection to professional ideology was also reflected in views expressed by interviewees with regard to their willingness to engage in organisational citizenship behaviours.

A couple of years ago ... there was a senior position coming up and I was asked would I apply for this position for [the organisation], and I just laughed. I might do it for myself, but not for [the organisation], and that's a complete change in how I treated my organisation. (Interviewee S7)

The evident disenchantment with the organisation, shared by all interviewees, contrasted with a general absence of any future intention to leave the organisation. This lack of intention reflected a perception of limited alternative opportunities for employment elsewhere within their profession, and a pragmatic assessment that remaining with the organisation would provide continued access to significant scientific opportunities and resources. It was also underpinned by a strong sense of personal commitment to the pursuit of knowledge. The following quotes from one interviewee indicate the general view across the group:

I mean there's a finite number of opportunities and outcomes out there. The hassle and overhead of working for yourself is quite considerable and, as I said before, there will be avenues that are closed off to me if I did that.

(Interviewee S6)

I actually think even if I wasn't paid I'd do some of this. There are intellectual issues associated with it that I find fascinating, and before I 'kark it' I'd like to figure out some of the answers. (Interviewee S6)

Implications

Study 1 focussed on the perceptions of professional employees with regard to the link between their professional ideologies and their psychological contracts. The research scientists had a strong professional affiliation and each identified specific perceptions of their psychological contract that are best understood by reference to an ideological currency. Each research scientist perceived the organisation to be obligated to demonstrate a credible commitment and support for their contribution of professional competence, and high quality outcomes characterized by both scientific excellence and benefits to others in the community. The failure of the organisation to deliver on its perceived obligation in this regard clearly was a significant factor in the research scientists' perceptions of their psychological contract and their relationship to the organisation.

While the profession rather than the organisation was clearly the predominant focus in terms of career commitment, specific elements of the traditional career perspective remained significant. This was consistent with perceptions of a predominantly relational psychological contract. For example, five interviewees

explicitly indicated they expected to work for the organisation indefinitely, and four perceived their career path in the organisation as clearly mapped out. All but one of the interviewees perceived a reasonable chance of promotion if they worked hard. All expected to grow professionally within the organisation. Consistent with these responses, and the implied desire for stability and continuity, no interviewee expressed an intention to leave the organisation. However, interviewees did explicitly link this lack of intention to their ability to remain focussed on their science and continued support received from professional colleagues.

The results of this analysis support the notion of a psychological contract for employed professionals that incorporates a transpersonal ideological element derived from core professional values such as professional competence, client service, and an other-orientation. This has career management related implications for the organisation in regard to the provision of a credible commitment to, and a supportive environment for, the enactment by employees of their professional values. The study findings also contribute to our understanding of the psychological contract by highlighting the limitations of the existing bidimensional interpretative framework for explaining the interconnectedness of the professional employee, the organisation and the societal context.

In considering the transferability of these findings, several aspects of the study's research methodology need to be taken into account. First, the group of research scientists was neither representative of research scientists in the subject organisation, nor of the profession generally. Second, the research setting selected for this exploratory study was limited to one public sector research organisation. Consequently, the principle of public service to the community, which historically has underpinned and shaped public sector organisational goals and objectives in Australia,

may have led to the participants being more sensitive to this value than scientists working in other non-public settings. Hence, using a larger sample across a broader range of organisational settings, embracing the private sector and other public sector organisations, might shed light on the transferability of this study's findings.

STUDY 2

Background

As alluded earlier, the psychological contract has emerged as a valued explanatory framework regarding possible organisational outcomes of the employment relationship (Hecker & Grimmer 2006). Indeed, much of the current interest in the psychological contract has been due to its presumed impact on the behaviour and motivations of employees (Guest 2004; Westwood, Sparrow & Leung 2001).

Psychological contracts have been related to a range of organisational behaviour indices, from organisational commitment and loyalty (Coyle-Shapiro & Kessler 2000; Turnley & Feldman 1999, 2000), to fairness and trust (Grimmer & Oddy in press; Guest & Conway 2002), to exit from the organisation (Goffee & Scase 1992), and to cynicism and neglect (Johnson & O'Leary-Kelly 2003; Turnley & Feldman 1999, 2000). The interpretive framework offered has been seen as useful in 'unpacking' these factors, as many are in large part based on perceptions (Guest 2004).

Employee perceptions of the context within which psychological contracts emerge are also considered an important, if neglected, line of research (Guest 2004; Rousseau 2001). Context can include such matters as the human resource system, business strategy, organisational, occupational and national culture (Guest & Conway 2002; Taylor & Tekleab 2004; Thomas, Au & Ravlin 2003; Westwood et al. 2001). As the employee experiences their employment context in the course of their tenure with an

organisation, this is likely to influence how the relationship with the employer is perceived, and thus affect the nature and content of the psychological contract. Indeed, as Rousseau (1995: 54) states, ‘the concept of a contract can be understood only when viewed in the context of the organisations’ setting and specifics of the situation’. This argument also underscores the need for research to be conducted across a range of national contexts, and emphasizes the importance of promulgating research from less-explored perspectives such as Australia.

The focus of study 2 is on employee perceptions of three contextual variables – organisational justice (distributive, procedural and interactional), perceived organisational support and external employability. The first two describe aspects of the organisational context; the third, the broader employment context. Each of these variables is concerned with social processes that may be expected to have an impact on employee psychological contracts (Aselage & Eisenberger 2003). The interest of the research is the extent to which each can be related to relational and transactional psychological contract dimensions. Based on previous research, the following is proposed:

1. Distributive justice is expected to be positively related to the transactional psychological contract. Distributive justice is focused on fairness of work outcomes such as pay level, workload, and job responsibility, the enumeration of which are hallmarks of the transactional psychological contract.
2. Procedural justice is expected to be positively related to the transactional psychological contract. Procedural justice is focused on perceptions of equity, impartiality, and consistency, and Byrne (1999) and Shore and

Tetrick (1994) have argued that transactional psychological contracts are more indicative of such perceptions.

3. Interactional justice is expected to be positively related to the relational psychological contract. Interactional justice is primarily focused on the quality of the relationship between the employee and his or her supervisor. If employees perceive that their supervisor has treated them fairly in their interactions, the relational component of the psychological contract should increase (Shore & Tetrick 1994).
4. Perceived organisational support is expected to be positively related to the relational psychological contract. Both of these variables are based on a social exchange, therefore, as the level of perceived support from the organisation increases, the relational contract (i.e. loyalty, trust, etc) should concomitantly increase (Gakovic & Tetrick 2003).
5. External employability is expected to be positively related to the transactional psychological contract. As an employee's perception of external employability increases, he or she would be more likely to develop a more transactional contract with the organisation (i.e. one that is short-term, with few commitments or obligations to remain).

Method

Sample

The sample comprised 156 Master of Business Administration (MBA) students studying at a large Australian university. The decision to sample MBA students was made for the purpose of consistency with a number of extant studies (Grimmer &

Oddy in press; Robinson & Rousseau 1994; Rousseau 1990; Turnley & Feldman 1999, 2000) which have utilised samples comprising either current, or alumni, MBA students. MBA students represent a suitable cohort to study due to their diversity of work and industry experience. Participants ranged in age from 24 to 49 years with a mean age of 32 years ($SD = 5.03$). There were 103 (66%) males and 53 (34%) females. Mean organisational tenure within the sample was 3.7 years ($SD = 2.97$) and 44% of respondents worked for companies with more than 1000 employees. In terms of education levels, 65% of respondents held undergraduate degrees, while 31% had completed some form of prior postgraduate study.

Measures

Psychological Contract: A 17-item shortened version of the scale developed by Millward and Hopkins (1998) was utilized to assess the nature of respondents' psychological contracts. The Psychological Contract Scale (PCS) captures the relational-transactional components of the contract, and provides a scale score for each of these constructs. The items are presented as statements, and respondents are required to indicate their level of agreement on a 7-point scale ranging from (1) strongly disagree through to (7) strongly agree. Empirical studies (Millward & Brewerton 1999; Millward & Herriot 2000) have indicated that this measure is psychometrically sound and reliability coefficients calculated on the current data suggested acceptable internal consistency (relational = .67; transactional = .73).

Organisational Justice: In the current study, organisational justice was assessed using the measure developed by Niehoff and Moorman (1993). This instrument consists of 20 items, measured on a 7-point response scale ranging from (1) strongly disagree through to (7) strongly agree. The items cluster into three separate scales:

distributive justice, procedural justice, and interactional justice. The distributive justice scale is comprised of five items measuring the fairness of respondents' pay level, work schedule, workload, and job responsibilities. Procedural justice is assessed using six items examining the extent to which job decisions are made based on the collection of accurate and impartial information, are influenced by employee voice, and are subject to an appeal process. The final scale, measuring interactional justice, comprises nine items. Respondents are asked to indicate the extent to which they perceived that their needs are taken into account in making job decisions and the extent to which they are provided with adequate explanations when decisions are finalized. Niehoff and Moorman's scales have been used extensively in management research and each has been found to be valid and reliable. With the current sample data, alpha coefficients ranged from .72 (distributive justice) to .84 (procedural justice) indicating that each scale was reliable.

External Employability: This construct was measured via three items taken from van der Heijden's (2002) 8-item Employability Scale. Only those items measuring the latter (the likelihood of transition to employment external to the organisation) were utilized in this study. The items required participants to respond to a 4-point Likert scale ranging from (1) very unlikely through to 4 very likely. A Cronbach's alpha of .62 was obtained with the 3 items used in the current study. While this is below the .7 criterion advocated by Nunnally (1978), internal consistency coefficients greater than 0.6 are considered acceptable for newly developed measures (Hair, Anderson, Tatham, & Black 1998).

Perceived Organisational Support: A scale developed by Eisenberger, Huntington, Hutchison, and Sowa (1986) was used to measure the extent to which participants perceived that they are valued and supported by their organisation. The Perceived

Organisational Support (POS) scale comprises 9 items which are measured on a 7-point scale ranging from (1) strongly agree through to (7) strongly disagree. This scale has been utilized extensively in organisational behaviour research and it has well-established psychometric properties. In the current study an alpha coefficient of .92 was obtained indicating a very satisfactory level of internal consistency.

Procedure

Questionnaires, containing the measures and a cover letter, were distributed in MBA classes, completed by participants in their own time, and returned to the researchers via reply-paid envelopes. A total of 158 questionnaires were returned, however, two cases were excluded from the sample due to excessive missing data. This resulted in a usable sample of 156 cases. As some individuals declined involvement at the time of group distribution and others did not return the survey, it was not possible to systematically identify the refusal rate, nor the reasons for not participating.

Results

A canonical correlation analysis was undertaken with the contextual variables – organisational justice (distributive justice, procedural justice, interactional justice), perceived organisational support, and external employability – used as predictors of psychological contracts (relational and transactional). Checks of the theoretical assumptions underlying canonical correlation analysis were undertaken, including normality, linearity, and homoscedasticity. No serious violations of these assumptions were identified. Nine cases were found to have missing data on at least one study variable and were removed using listwise deletion, leaving $N = 147$. Table 1 presents

the means, standard deviations, and Pearson's correlation coefficients between the variables in this study. As evident in the Table, none of the variables were correlated above .7, suggesting an absence of multicollinearity.

Insert Table 1 approximately here

The canonical correlation analysis yielded two functions with squared canonical correlations (R^2_c) of .54 and .12 respectively. Cumulatively, the full model across both functions was statistically significant applying Wilks's $\lambda = .407$ criterion, $F(10, 280) = 15.88, p < .001$. As Wilks's λ reflects the variance explained by the model, $1 - \lambda$ provides the effect size of the full model according to an r^2 metric. Therefore, for the two canonical functions, the r^2 type effect size was .59 indicating that the full model explained a large (approximately 59%) proportion of the shared variance between the predictor and criterion variable sets. In order to determine the hierarchical configuration of the functions for statistical significance, the dimension reduction analysis was examined. Function 2, which was tested in isolation, explained a statistically significant amount of variance in the variable sets, after the removal of the first function, $F(4, 141) = 4.94, p < .002$.

The standardized canonical function coefficients and structure coefficients for Functions 1 and 2 are presented in Table 2, as are the squared structure coefficients and communalities across both functions for each variable. Applying a cutoff correlation of .45 for the structure coefficients, recommended by Sherry and Henson (2005), only the relational psychological contract score from the criterion variable set was related to Function 1. In terms of the predictor variable set, perceived organisational support, interactional justice, and procedural justice were correlated

with Function 1. Thus, the results indicate that perceptions of organisational support ($r_s = -.93$), interactional justice ($r_s = -.89$), and procedural justice ($r_s = -.64$) are associated with relational psychological contracts ($r_s = -.95$). The fact that interactional justice simultaneously yielded a high structure coefficient and a low standardized canonical function coefficient (Coef = .05) may be due to its relatively high correlation with procedural justice; while below the rule-of-thumb cut-off for multicollinearity, the correlation between these two predictors was .67.

Insert Table 2 approximately here

Moving to Function 2, the structure coefficients in Table 2 show that transactional psychological contract score was the sole criterion variable of relevance. In terms of the predictor variable set, the second canonical function was composed of procedural justice and distributive justice. The structure coefficients indicate that higher levels of procedural justice ($r_s = .60$) and lower levels of distributive justice ($r_s = -.46$) are associated with transactional psychological contracts ($r_s = .98$).

Discussion

Some clear relationships between the two variable sets investigated in study 2 could be identified. The transactional dimension was found to be negatively associated with distributive justice and positively associated with procedural justice. The first of these findings was contrary to proposition 1, which had suggested the opposite relationship on the basis that the distributive justice issue of fairness in the allocation of work outcomes was expected to be linked with the notion of a

transactional exchange. However, it may be that perceptions of fairness, in particular, require a level of involvement and engagement with the organisation that is contrary to that implied by a transactional relationship. Though definable in terms of justice, the experience of distributive fairness may be more related to a socio-emotional exchange that relies on trust (Guest 2004). The positive association established between the transactional dimension and procedural justice was, however, supportive of proposition 2. The experience of procedural impartiality and consistency could thus be said to be linked with the transactional psychological contract.

The relational psychological contract dimension was found to be positively associated with procedural justice, interactional justice and perceived organisational support. The second and third of these associations are supportive of research propositions 3 and 4. Interactional justice, which is concerned with the quality of the employee-employer relationship and the extent to which the employee perceives that their needs are being taken into account, does indeed appear to be a characteristic of the socio-emotional relational exchange (Shore & Tetrick 1994). Similarly, the relational dimension is also related to the perception of organisational support, which implies loyalty, trust and reciprocity in social exchange (Gakovic & Tetrick 2003). The association found between the relational psychological contract dimension and procedural justice was not expected. Certainly, there is an element of perceived employee support in the notion of procedural justice; that the system can be relied upon and thus be trusted. Perceptions of procedural justice appear, therefore, to be predictive of both relational and transactional dimensions.

Proposition 5 was not supported; external employability was, in fact, not found to be associated with either psychological contract dimension. As a possible contextual variable, it appears that external employability does not impact on the nature of an

employee's contract with their organisation. In this regard, it is worth noting that this was the only one of the contextual variables that did not relate to the organisational context itself. External employability may act rather as a mediator between the psychological contract and other employee outcomes. If there is a strong perception of external employability, for instance, the employee might decide to exit the organisation when their psychological contract has not been met (Coyle-Shapiro & Kessler 2000; Goffee & Scase 1992; Turnley & Feldman 1999, 2000).

What these results thus imply is that perceptions of organisational justice and organisational support will impact on the nature of the psychological contracts that emerge within an organisation, though perceptions of external employability will not. These conclusions go some way towards addressing the general deficit of research into factors that influence the development of psychological contracts (Guest 1998; Millward & Herriot 2000; Tekleab & Taylor 2003). Future research on the psychological contract and organisational context in Australia might examine a wider range of employees in different industries and with different demographics. Robinson and Rousseau (1994) also argue that the psychological contract is made not once but rather is revised throughout the employee's tenure in the organisation. In other words, the psychological contract is a dynamic and changing construct in which organisational factors will play a role. The transformation of the psychological contract as an employee becomes more familiar with their employing organisation, while garnering some examination elsewhere (Thomas & Anderson 1998; Robinson, Kraatz & Rousseau 1994), is also an avenue for future research in Australia.

CONCLUSION

This paper has reported the findings from two Australian studies of the psychological contracts and related career and employment issues of specific cohorts of professional employees and those in a managerial career track. The first study presented an in-depth qualitative investigation of research scientists and considered the implications that may arise in the case of employees whose psychological contracts involve a sense of commitment to a ‘profession’ that is over and above that given to the employer. The second study was a quantitative investigation of a sample of MBA students and how their psychological contracts could be related to their perceptions of organisational and contextual experiences. The two studies showed how the psychological contract can be examined from quite different methodological perspectives.

Both samples of employees represented distinct sectors of the workforce, though there were parallels. In many respects, the notion of the ‘profession’ acts as a vitally important contextual factor in shaping the psychological contracts of those individuals so employed. A commitment to a broader ideology would certainly impact on the relationship that a professional employee has with their employing organisation. And indeed, commitment to the organisation appears to have been dependent on perceptions of it providing the necessary support for the values of, in this case, the scientific community. The lack of intention to leave amongst the scientists was similarly related to perceptions of external employability. The psychological contracts of employees in a managerial career track, while not necessarily impacted on by identification with a wider profession, nevertheless were shown to be affected by perceptions of the organisational context as represented by organisational justice and perceived organisational support. Notions of justice and support represent

fundamental aspects of traditional Australian work culture, as represented in the tenet of a 'fair go'. As such, it is instructive to note that despite the changes in Australian workplaces discussed earlier, such variables still impact on employees' organisational behaviour. This observation is mirrored in the continued expectation of the scientists that their employer support the values, and indeed ideology, of science – the broader operating principle under which their work is conducted. Notwithstanding the general argument for a redefinition of traditional career expectations to a more transactional footing, some workers thus go on valuing relational contract terms, such as organisational support (Atkinson 2002).

Established parallels between the changes in the employment relationship occurring in Australia and overseas mean these findings have implications that go beyond the local context. The management of psychological contracts and career development issues for these groups of employees should be done in recognition of the importance of such contextual factors so that positive and beneficial outcomes are achieved for all concerned.

REFERENCES

- Abbott, A. (1988) *The system of professions: an essay on the division of labour*, Chicago: University of Chicago Press.
- Arthur, M. B. and Rousseau, D. M. (1996) *The boundaryless career: a new employment principle for a new organisational era*, New York: Oxford University Press.
- Aselage, J. and Eisenberger, R. (2003) 'Perceived organizational support and psychological contracts: A theoretical integration', *Journal of Organizational Behaviour* 24: 491-509
- Ashmos, D. P. and Duchon, D. (2000) 'Spirituality at work: a conceptualisation and measure', *Journal of Management Inquiry* 9 (2): 131-145
- Atkinson, C. (2002) 'Career management and the changing psychological contract', *Career Development International* 7 (1): 14-23
- Blau, P.M. (1964) *Exchange and power in social life*, New York: Wiley.
- Bunderson, J. S. (2001) 'How work ideologies shape the psychological contracts of professional employees: doctors' responses to perceived breach', *Journal of Organizational Behaviour* 22 (7): 717-741
- Burr, R. and Thomson, P. (2002) 'Expanding the network: what about including "the all" in the psychological contract', Paper presented at the Academy of Management Conference, Denver, US.
- Byrne, Z. S. (1999) 'How do procedural and interactional justice influence multiple levels of organizational outcomes?' Paper presented as a panel presentation for the fourteenth annual conference of the Society for Industrial and Organizational Psychology, Atlanta, US.

- Conway, N. and Briner, R. (2005) *Understanding psychological contracts at work: a critical evaluation of theory and research*, Oxford: Oxford University Press.
- Coyle-Shapiro, J. A-M., Shore, L. M., Taylor, M. S. and Tetrick, L. E. (2004) *The employment relationship: examining psychological and contextual perspectives*, New York: Oxford.
- Coyle-Shapiro, J., and Kessler, I. (2000) 'Consequences of psychological contract for the employment relationship: A large scale survey', *The Journal of Management Studies* 37 (7): 903-930
- Donohue, R. (2006) 'The evolution of career management', in P. Holland and H. De Cieri (eds) *Contemporary issues in human resource development*, Frenchs Forest: Pearson Education Australia, pp. 211-236
- Eisenberger, R., Huntington, R., Hutchison, S. and Sowa, D. (1986) 'Perceived organizational support', *Journal of Applied Psychology*, 71: 500-507
- Gakovic, A. and Tetrick, L.E. (2003) 'Perceived organisational support and work status: a comparison of the employment relationships of part-time and full-time employees attending university classes', *Journal of Organisational Behaviour* 24 (5): 649-666
- Goffee, R. and Scase, R. (1992) 'Organizational change and the corporate career: The restructuring of managers' job aspirations', *Human Relations* 45: 363-385
- Grimmer, M. and Oddy, M. (In press) 'Violation of the psychological contract: The mediating effect of relational versus transactional beliefs', *Australian Journal of Management*.
- Guest, D. E. (1998) 'Is the psychological contract worth taking seriously?', *Journal of Organizational Behaviour*, 19 (S1): 649-664

- Guest, D. E. (2004) 'The psychology of the employment relationship: an analysis based on the psychological contract', *Applied Psychology: an International Review* 53 (4): 541-555
- Guest, D. E. and Conway, N. (2002) 'Communicating the psychological contract: an employer perspective', *Human Resource Management Journal* 12: 22-38
- Guest, D. E. and Mackenzie, K. (1996) 'Don't write-off the traditional career concept', *People Management*, February: 22-25
- Hair, J. F. Jr., Anderson, R. E., Tatham, R. L., and Black, W. C. (1998) *Multivariate data analysis*, 5th edn, New Jersey: Prentice Hall.
- Hall, D. T. and Mirvis, P. H. (1996) 'The new protean career: psychological success and the path with a heart', in D. T. Hall (ed) *The career is dead – long live the career*, San Francisco: Jossey Bass, pp. 14-45
- Handy, C. (1994) *The empty raincoat: making sense of the future*, London: Arrow Business Books.
- Hecker, R. and Grimmer, M. (2006) 'The evolving psychological contract', in P. Holland and H. De Cieri (eds) *Contemporary issues in human resource development*, Frenchs Forest: Pearson Education Australia, pp.183-210
- Holland, J. L. (1997) *Making vocational choices: a theory of vocational personalities and work environments*, 3rd edn, Englewood Cliffs: Prentice Hall.
- Johnson, J. L. and O'Leary-Kelly, A. M. (2003) 'The effects of psychological contract breach and organizational cynicism: Not all social exchange violations are created equal', *Journal of Organizational Behaviour* 24: 627-647
- Kabanoff, B., Jimmieson, N. L., and Lewis, M. J. (2000) 'Psychological contracts in Australia: a "fair go" or a "not-so-happy transition"?' in D. M. Rousseau and R.

- Schalk (eds) *Psychological contracts in employment: cross-national perspectives*, Thousand Oaks, CA: Sage Publications, pp. 29-46
- Kornhauser, W. (1962) *Scientists in industry: conflict and accommodation*, New York: Plenum.
- Lawler, E.E. III (2005) 'Creating high performance organizations', *Asia Pacific Journal of Human Resources* 43 (1): 10-17
- Mallon, M. (1998) 'The portfolio career: pushed or pulled to it', *Personnel Review* 27 (5): 361-377
- Merton, R. K. (1942) 'The normative structure of science', in N. Storer (ed.) (1973) *The sociology of science: theoretical and empirical investigations*, Chicago: University of Chicago Press, pp. 267-278
- Millward, L. J. and Brewerton, P.M. (1999) *Validation of the Psychological Contract Scale in Organizational Settings*, Guildford: SPERI publication, School of Human Sciences, University of Surrey.
- Millward, L. J. and Hopkins, L. J. (1998) 'Psychological contracts, organizational and job commitment', *Journal of Applied Social Psychology*, 28 (16): 1530-1556
- Millward, L.J., and Herriot, P. (2000) 'The psychological contract in the UK', in D.M. Rousseau and R. Schalk (eds) *Psychological Contracts: Cross-national Perspectives*, London, Sage, pp. 231-249
- Morrison, E. W. and Robinson, S. L. (1997) 'When employees feel betrayed: a model of how psychological contract develops', *Academy of Management Review* 22, (1): 226-256
- Nicholson, N. and West, M. A. (1998) *Managerial job change: men and women in transition*, Cambridge U.K.: Cambridge University Press.

- Niehoff, B. P., and Moorman, R. H. (1993) 'Justice as a mediator in the relationship between methods of monitoring and organizational citizenship behavior', *Academy of Management Journal*, 36: 527-556
- Nunnally, J. C. (1978) *Psychometric theory* (2nd edn.), New York: McGraw-Hill.
- O'Donohue, W. and Nelson, L. (In press) 'Lets be professional about this: ideology and the psychological contracts of registered nurses', *Journal of Nursing Management*.
- Purvis, L. J. and Cropley, M. (2003) 'The psychological contracts of National Health Service nurses', *Journal of Nursing Management* 11 (2): 107-120
- Robinson, S. L. and Rousseau, D. M. (1994) 'Violating the psychological contract: not the exception but the norm', *Journal of Organizational Behaviour* 15 (3): 245-259
- Robinson, S.L., Kraatz, M.S. and Rousseau, D.M. (1994) 'Changing obligations and the psychological contract: a longitudinal study', *Academy of Management Journal* 37 (1): 137-146
- Rousseau, D. M. (1990) 'New hire perceptions of their own and their employer's obligations: A study of psychological contracts', *Journal of Organizational Behaviour* 11 (5): 389-400
- Rousseau, D. M. (1995) *Psychological contracts in organizations*, Thousand Oaks CA: Sage.
- Rousseau, D. M. (2001) 'Schema, promise and mutuality: the building blocks of the psychological contract', *Journal of Occupational and Organizational Psychology* 74: 511-541
- Rousseau, D. M. and McLean Parks, J. (1993) 'The contracts of individuals and organizations', *Research in Organizational Behaviour* 15 (4): 1-43

- Rousseau, D. M. and Tijoriwala, S. A. (1998) 'Assessing psychological contracts: issues, alternatives and measures', *Journal of Organizational Behaviour* 19 (S1): 679-695
- Sherry, A., and Henson, R. K. (2005) 'Conducting and interpreting canonical correlation analysis in personality research: A user-friendly primer', *Journal of Personality Assessment* 84: 37-48
- Shore, L. M., and Tetrick, L. E. (1994) 'The psychological contract as an explanatory framework in the employment relationship', in C.L. Cooper, and D. M. Rousseau, (eds), *Trends in Organizational Behaviour*, Hillsdale, NJ: Lawrence Erlbaum Associates, pp. 91-109
- Shore, L. M., Tetrick, L. E., Taylor, M. S., Coyle-Shapiro, J. A-M., Liden, R. C., McLean Parks, J., Morrison, E. W., Porter, L. W., Robinson, S. L., Roehling, M. V., Rousseau, D. M., Schalk, R., Tsui, A. S., and Van Dyne, L. (2004) 'The employee-organization relationship: a timely concept in a period of transition', *Research in Personnel and Human Resources Management* 23: 291-370
- Super, D. E. (1963) 'Self-concept in vocational development', in D. E. Super, R. Starishevsky, N. Matlin and J. P. Jordan (eds) *Career development: self-concept theory*, Springfield: Charles C. Thomas, pp. 1-16
- Taylor, S. M. and Tekleab, A. G. (2004) 'Taking stock of psychological contract research: assessing progress, addressing troublesome issues, and setting research priorities', in J. A-M. Coyle-Shapiro, L. M. Shore, M. S. Taylor, and L. E. Tetrick (eds) *The employment relationship: examining psychological and contextual perspectives*, New York: Oxford, pp. 253-283
- Tekleab, A.G., and Taylor, M.S. (2003) 'Aren't there two parties in an employment relationship? Antecedents and consequences of organization-employee agreement

- on contract obligations and violations', *Journal of Organizational Behaviour* 24 (5): 585-608
- Thomas, D.C., Au, K. and Ravlin, E. C. (2003) 'Cultural variation and psychological contract', *Journal of Organizational Behaviour* 24 (5): 451-471
- Thomas, H.D.C. and Anderson, N. (1998) 'Changes in newcomers' psychological contracts during organizational socialization: a study of recruits entering the British Army', *Journal Organizational Behaviour* 19: 745-767
- Thompson, J. A. and Bunderson, J. S. (2003) 'Violations of principle: ideological currency in the psychological contract', *Academy of Management Review* 28 (4): 571-587
- Trice, H. M. (1993) *Occupational sub-cultures in the workplace*, Ithaca, NY: ILR Press.
- Turnley, W. H., and Feldman, D. C. (1999) 'The impact of psychological contract violations on exit, voice, loyalty, and neglect', *Human Relations* 52 (7): 895-922
- Turnley, W. H., and Feldman, D. C. (2000) 'Re-examining the effects of psychological contract violations: unmet expectations and job dissatisfaction as mediators', *Journal of Organizational Behaviour* 21 (1): 25-42
- Van der Heijden, B. (2002) 'Prerequisites to guarantee life-long employability', *Personnel Review* 31: 44-61
- Westwood, R., Sparrow, P. and Leung, A. (2001) 'Challenges to the psychological contract in Hong Kong', *International Journal of Human Resource Management* 12 (4): 621-651

Table 1Mean, Standard Deviations, and Correlation Coefficients Among Variables

Variable	Mean	SD	1	2	3	4	5	6	7
1. Distributive Justice	23.10	5.35							
2. Procedural Justice	23.70	7.25	.32**						
3. Interactional Justice	40.37	11.14	.34**	.67**					
4. External Employability	8.18	1.91	-.01	-.03	-.19*				
5. Organisational Support	41.83	10.02	.43**	.49**	.67**	-.14			
6. Transactional	34.94	8.26	-.21*	.11	-.09	.07	-.17*		
7. Relational	31.43	6.93	.19*	.49**	.62**	-.17*	.63**	.12	

* $p < .05$. ** $p < .01$; $N = 147$

Table 2

Canonical Solution for Justice, Organisational Support and External Employability
Predicting Psychological Contracts for Functions 1 and 2

Variable	Function 1			Function 2			
	<i>Coef</i>	r_s	r_s^2 (%)	<i>Coef</i>	r_s	r_s^2 (%)	h^2 (%)
Relational	-.98	<u>-.95</u>	89.7	.22	.32	10.2	<u>99.9</u>
Transactional	.32	.21	4.5	.95	<u>.98</u>	95.5	<u>99.9</u>
Distributive Justice	.08	-.35	12.1	-.65	<u>-.46</u>	20.8	32.9
Procedural Justice	.05	<u>-.64</u>	40.3	1.21	<u>.60</u>	36.0	<u>76.3</u>
Interactional Justice	-.49	<u>-.89</u>	78.3	-.43	.12	1.5	<u>79.8</u>
Organisational Support	-.65	<u>-.93</u>	86.7	-.15	-.08	0.7	<u>87.0</u>
External Employability	.09	.24	5.6	.13	.11	1.2	6.7

Note. Structure coefficients (r_s) greater than 0.45 are underlined. Communality coefficients (h^2) greater than 45% are underlined. Coef = standardized canonical function coefficient; r_s = structure coefficient; r_s^2 = squared structure coefficient; h^2 = communality coefficient.